

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
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E.O. 11652: N/A
TAGS: EGEN, PINT, CI
SUBJECT: OPPOSITION ECONOMISTS PREPARE FOR CHANGE IN POLICY/GOVERN-
MENT

1. RECENT POLITICAL DEVELOPMENTS, NOT THE LEAST OF WHICH IS THE
LETELIER/MOFFITT INVESTIGATION, HAVE ENCOURAGED OPPOSITION CHURCH-
CHRISTIAN DEMOCRAT GROUPS TO BELIEVE THAT A CHANGE IN GOVERNMENT
IS POSSIBLE. IN VIEW OF THIS POSSIBILITY, OPPOSITION ECONOMISTS MET
PRIVATELY JULY 8-9 AT PUNTA DE TRALCA TO OUTLINE FUTURE ECONOMIC
POLICY UNDER A SUCCESSOR REGIME. MEETING WAS ORGANIZED BY MARIO
ZANARTU AND HELD UNDER AUSPICES OF THE CENTRO DE INVESTIGACIONES
SOCIO-ECONOMICAS (CISEC). APPROXIMATELY 52 PERSONS ATTENDED,
INCLUDING CARDINAL RAUL SILVA. LEADERS AT THE MEETING WERE ANDRES
SANFUENTES, DEAN OF THE ECONOMICS FACULTY AT THE UNIVERSITY OF
CHILE AND RICARDO FFRENCH-DAVIS VICE-PRESIDENT OF CHRISTIAN
DEMOCRAT-ORIENTED THINKTANK CIEPLAN. NO GOVERNMENT OFFICIALS ATTENDED,
;
HOWEVER, SEVERAL PRIVATE SECTOR REPRESENTATIVES PUBLICALLY IDENTIFIED
WITH THE GOC DID ATTEND.

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2. THE GROUP HAS NOW INFORMALLY CONSTITUTED ITSELF FOR THE PURPOSE
OF PUBLISHING SPECIFIC ECONOMIC POLICY PROPOSALS. THESE DOCUMENTS
WILL BE AIMED AT FORMULATING AN ALTERNATIVE TO THE PRESENT
ECONOMIC MODEL WITHOUT PROMOTING A RETURN TO THE IMPORT SUB-
STITUTION POLICY OF PAST GOVERNMENTS. THE MEETING HAS BEEN DESCRIBED
AS THE FIRST RECONCILIATION SINCE 1970 OF DIVERGENT ECONOMIC

OPINIONS. THE INITIAL MEETING DID NOT, THOUGH, DEVELOP A CONSENSUS OTHER THAN VARIOUS DEGREES OF OPPOSITION TO CURRENT ECONOMIC POLICY. DISCUSSION WAS BASED ON RAPIDLY IDENTIFYING ECONOMIC OBJECTIVES AND MEDIATING ANY DISAGREEMENTS BY BASING ANALYSIS ON FIRST BEST-TRADEOFF THEORY, FOR EXAMPLE IDENTIFYING EFFECT ON INFLATION OF LESS UNEMPLOYMENT, HIGHER GOVERNMENT SPENDING, ETC. VIEWPOINTS EXPRESSED RANGED FROM MODIFICATION OF PRESENT POLICY (PEDRO CALVO, MANAGER OF ECONOMIC REVIEW GEMINES) TO MORE RADICAL CHANGE (RICARDO FFRENCH-DAVIS, CIEPLAN). MODERATES IN GROUP IDENTIFIED FOUR AREAS OF PRESENT POLICY AS WORTH SALVAGING: 1) RATIONAL USE OF RESOURCES, 2) FREE TRADE, 3) MARKET PRICE MECHANISM AND 4) REALISTIC EXCHANGE RATE POLICY. RADICALS PROPOSED TOTAL CHANGE FROM PRESENT POLICY IN 1) THE ROLE OF THE STATE, 2) REDISTRIBUTION OF INCOME, 3) UNEMPLOYMENT AND 4) LABOR UNION RIGHTS.

3. ACCORDING TO FFRENCH-DAVIS THE OBJECT OF THE TRALCA GROUP IS TO 1) UNITE THE OPPOSITION, 2) DEMONSTRATE THAT THERE EXISTS A LEGITIMATE ALTERNATIVE TO PRESENT EONOMIC POLICY, AND THEREBY TO PROMOTE A CHANGE TO THAT POLICY, AND 3) PREPARE FOR THE CHANGE ITSELF.

4. THE ACTIONS OF THE TRALCA GROUP ARE SIMILAR TO THE CAUAS-DE CASTRO-BARDON MOVEMENT BEGUN DURING THE ALLENDE REGIME WHICH WAS AIMED AT DEFINING A POST-ALLENDE ECONOMIC ALTERNATIVE. DURING 1972-73 THIS GROUP FORMULATED ANONYMOUSLY WHAT IS NOW CONFIDENTIAL

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REFERRED TO AS THE CHILEAN VERSION OF THE CHICAGO MONETARIST ECONOMIC POLICY. UPON ASSUMING POWER, THE ECONOMIC STUDIES PUBLISHED BY CAUAS-DE CASTRO-BARDON BECAME THE BASIS FOR CURRENT ECONOMIC POLICY.

5. THE TRALCA GROUP IS ONLY IN THE EARLY STAGES OF ORGANIZATION. HOWEVER, IT IS CLEAR THAT THE CHRISTIAN DEMOCRAT-ORIENTED THINKTANK CIEPLAN WILL PLAY A, IF NOT THE, DOMINANT ROLE IN LEADING THE OPPOSITION. THE TRALCA GROU WILL WITHIN THE NEXT FEW WEEKS BEGIN PUBLISHING AND PRIVATE CIRCULATION OF DOCUMENTS UNDER THE AUSPICES OF CISEC.

6. CISEC WILL ORGANIZE A SIMILAR MEETING N AUGUST AIMED AT UNITING "SOCIAL SCIENTISTS" (I.E. POLITICIANS) OF VARIOUS PERSUASIONS WHOSE COMMON POINT OF AGREEMENT IS OPPOSITION TO CURRENT POLICIES.
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